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PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

Institutional and administrative arrangements governing the integration of UNDP/OPS in the Department for Development Support and Management Services

Report of the Secretary-General

Addendum

Organizational and budgetary arrangements for United Nations/OPS

1. The present document supplements the information provided by the Secretary-General in document A/48/502, Institutional and administrative arrangements governing the integration of UNDP/OPS in the Department for Development Support and Management Services (DDSMS). It provides further information on organizational and budgetary arrangements for UNDP/OPS. According to the proposed reporting arrangements for OPS, its budget is to be submitted to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for review before submission to the UNDP Governing Council for approval.

I. FUNCTIONAL AND ORGANIZATIONAL INTEGRATION

2. The incorporation of UNDP/OPS into the Department for Development Support and Management Services as a distinct semi-autonomous entity is predicated upon the integration into OPS of the implementation functions currently carried out by the Department. The Governing Council of the United Nations Development Programme requested that a detailed report on this subject be submitted to it at its forty-first session in 1994. The basic steps towards integration, however, will be taken as of 1 January 1994 along the lines described in the paragraphs below.

3. Key to a successful portfolio integration is firm agreement on how to carry out the programme/project management functions. It has been concluded that such functions in respect of the current portfolio of the Department for Development

Support and Management Services will be performed within the current structure of OPS and follow its traditional management approach and work modalities. It follows, therefore, that as of 1 January 1994, all United Nations/OPS implementation activities will be uniformly managed.

4. In order to ensure the maximum degree of coordination: (i) for projects for which it is the executing agency, the Department will create a Project Review Committee, with United Nations/OPS' participation as required; (ii) for all projects implemented by the Office, the current Project Acceptance Committee (PAC) will continue to operate under its existing procedures with the participation of the Department, as required.

5. In respect of organizational arrangements, the Department will maintain two substantive divisions responsible for carrying out the Department's regular budget functions, project execution responsibilities, and technical support services. In an initial phase, United Nations/OPS will maintain the present UNDP/OPS functional and organizational structure, made up of six Operations and three Support Divisions, outlined in detail below:

A. Project Operations Divisions

6. Five current OPS Operations Divisions (three regional divisions, one sectoral division and one regional/thematic division) will carry out all programme/project management functions for the entire portfolio of the new Office.

7. The loan administration and project supervision activities related to the International Fund for Agricultural Development, so far carried out by DDSMS staff, will be integrated into the sixth OPS division, i.e., the Division for IFAD.

8. Project Management Officers will continue to be the focal points for all project management functions and the initiators of all actions related to the implementation of United Nations/OPS projects. In this regard, the Divisions' current organizational structure will be maintained, with DDSMS staff being absorbed as appropriate.

B. Support Divisions

1. Projects Management Support Division

9. The functions of the present OPS Projects Management Support Division will be maintained. The Division will provide all implementation support services necessary for directly obtaining, or otherwise assisting the United Nations/OPS Operations Divisions in obtaining the goods, services, civil works, human resources, training and other inputs required in respect of the four main project budget components. In this regard, the present organizational structure of the Division will continue, with the absorption of staff from the Department for Development Support and Management Services as appropriate:

(a) An integrated United Nations/OPS Purchasing Section will procure goods, equipment and supplies for all the projects of the Office and those financed by its administrative budget (except as indicated in para. 10 (c) below);

(b) An integrated United Nations/OPS Projects Personnel Section will obtain the services of individual project experts, consultants and support staff;

(c) An integrated United Nations/OPS Fellowship and Training Section will arrange for all project training activities.

10. Further, the following Units and Sections of the new Office will continue their respective functions (with absorption of the corresponding functional capacities and/or DDSMS staff, as appropriate) as follows:

(a) The OPS Contracts Unit will continue to provide advisory services and support to the Project Management Officers of the Operational Divisions of the new Office, which are primarily responsible for obtaining and administering the services of entities for consulting assignments, civil works, etc., related to all projects;

(b) The OPS Consulting Services Unit will continue to establish and maintain computerized roster systems for individual project personnel and consulting firms, as well as to provide information to the private sector and government trade representatives interested in doing business with the Office;

(c) The OPS Management Services and Special Procurement Section will continue to provide advisory services in respect of all Management Services Agreements (MSAs) carried out by the Office, as well as to undertake directly procurement activities required by the present OPS Japanese Procurement Programme, OPS Nordic consultancy funds, etc., and to provide directly other United Nations/OPS technical support to procurement projects for Governments.

2. Finance and Administration Division

11. The functions of the present OPS Finance and Administration Division will be maintained. The Division will provide all accounting, budget and other financial services necessary for assisting the Operations Divisions to manage the projects of the new Office. It will also be responsible for preparing the United Nations/OPS administrative budget and for monitoring the corresponding allotments. Under delegated authority from the Secretary-General, the Division will be responsible for administering the Headquarters staff of the Office and providing general services. In this regard, the present organizational structure of the Division will be retained (with the absorption of corresponding DDSMS staff, as appropriate).

12. Integrated United Nations/OPS Finance and Budget Sections will carry out or be involved in all accounting, budgetary and other financial responsibilities for United Nations/OPS project and administrative budgets, as described below:

United Nations/OPS Administrative Budget and Expenditures

13. United Nations/OPS resources will be kept in a separately identified account called the "OPS Account". Effective 1 January 1994, the account will be established by transferring into it the balance of funds available to OPS in line with existing Governing Council provisions, as well as an appropriate amount of resources from the United Nations Overhead Account attributable to the unspent income of the Department for Development Support and Management Services from Administrative and Operational Services (AOS).

14. All income earned by United Nations/OPS and all the administrative expenditures of the Office will be credited and debited to this account respectively. Allotments for the administrative budget of United Nations/OPS will be issued by the Office of Programme Planning, Budget and Finance (OPPBF). The corresponding expenditures will be recorded in the United Nations General Ledger.

15. Between sessions of the Governing Council, United Nations/OPS, through the Management Board, will have the authority to establish or eliminate posts below the level of D-1 subject to ex post facto approval of the Governing Council of UNDP. Revised staffing tables will be issued accordingly.

United Nations/OPS Project Budgets and Expenditures

16. Effective 1 January 1994 and until such time as the Integrated Management Information System (IMIS) becomes fully operational, two sets of project accounts will be established and maintained for the recording of expenditures for technical cooperation activities - one in UNDP's books, for projects currently implemented by OPS; the other, in the United Nations books, for projects currently implemented by DDSMS. Delegations of authority now granted by the United Nations Controller to DDSMS, and by the UNDP Director of Finance to OPS, in respect of the project finance and budgetary functions, will also, effective 1 January 1994, be continued under the authority of the United Nations Controller.

17. In respect of certifying and approving authority for project accounts, United Nations/OPS will have at least the same arrangements it currently enjoys within UNDP. This means that the staff of the Office will be designated as certifying and approving officers by the Controller on the recommendation of the OPS Executive Director, as is the case in respect of the Administrative Budget.

18. Effective 1 January 1994 UNDP will continue to perform investment services for OPS funds as well as payment services related to the current portfolio of the new Office. These responsibilities will be transferred to the United Nations as soon as the IMIS Treasury functions become fully operational, unless otherwise agreed by the Management Board.

19. Effective 1 January 1994, the United Nations will be responsible for the internal audit functions for the OPS portfolio. The United Nations may, if and when necessary, request the UNDP Internal Audit to assist in the performance of such functions.

20. Since the United Nations Disbursement Section, even now, is responsible for payroll functions in regard to OPS staff, no changes are necessary.

21. A description of the respective responsibilities of the United Nations, UNDP and OPS with regard to treasury, accounts and other services will be included in the Secretary-General's Bulletin.

22. The OPS Administration Section will handle all administrative aspects of the new Office. It will support the Executive Director of the Office in the discharge of authority delegated to him/her with regard to OPS staff matters. Such delegated authority will be similar to that enjoyed by other voluntarily funded operational entities within the United Nations system. A detailed description of the respective responsibilities of the United Nations/OPS Administration Section and the Office of Human Resources Management, with respect to the administration of the staff regulations, rules and procedures, will be included in the Secretary-General's Bulletin. The Secretary-General's Bulletin will also outline the responsibilities of the Administration Section for office premises, registry, communications and other general services, as required.

3. Policy, Planning and Information Division

23. The functions of the present OPS Policy, Planning and Information Division will be maintained. The Division will be responsible for all policy and strategic planning initiatives. The Division will also be in charge of public information/relations, streamlining of procedures and decentralization. In addition, the Division will convene and service the OPS Project Acceptance Committee, as well as provide information systems support through its Information Section, which is in charge of all aspects of information systems and office automation. In this regard, the present organizational structure of the Division will be retained with the absorption of DDSMS staff, as appropriate.

II. BUDGETARY ASSUMPTIONS

A. Resource base

24. As of 31 December 1993, OPS estimates that it will have accumulated in its account unspent income of approximately US$ 7.0 million. The corresponding amount of overhead resources accumulated in the United Nations accounts and related to the DDSMS portfolio is estimated at approximately US$ 2.0 million. Therefore, the United Nations/OPS is projected to have an opening balance of approximately US$ 9.0 million as of 1 January 1994. The actual amount of this balance will depend upon the actual income and expenditure performance of OPS and DDSMS in 1993. This information will be available upon the closing of the 1993 accounts.

25. An amount of US$ 6.6 million from the above-mentioned resources will be reserved to discharge any potential United Nations/OPS liability in respect of its operations. This amount represents 15 per cent of the estimated 1994 administrative expenditures of United Nations/OPS. Of this US$ 6.6 million, an

amount not to exceed US$ 2.5 million will be earmarked to cover potential liability of UNDP for its staff on special secondment to the United Nations. As UNDP exposure diminishes, the size of the earmarking will be diminished proportionally and the related resources will remain part of the overall reserve.

26. The balance - currently projected at US$ 2.4 million - will be available for other contingencies including shortfalls in income.

B. Estimated 1994-1995 income

27. It is estimated that in 1994 and 1995, United Nations/OPS will manage a combined portfolio of US$ 1.6 billion: US$ 1.3 billion from OPS and US$ 300 million from DDSMS. The estimated combined income to be earned from these portfolios amounts to approximately US$ 88 million: US$ 72 million from the OPS portfolio and US$ 16 million from the portfolio of the Department for Development Support and Management Services.

28. The United Nations/OPS budget is to be fully covered by income from the following: (i) AOS and other support costs earned as implementing agency for DDSMS and the Department for Economic and Social Information and Policy Analysis (DESIPA) executed projects; (ii) AOS costs from the implementation of projects UNDP executes directly; (iii) AOS costs from both nationally executed (NEX) projects and agency-executed projects when United Nations/OPS is implementing agency; (iv) management fees from MSAs funded by multilateral/bilateral donors.

1. Estimated administrative expenditures

29. The total estimated administrative expenditures of the United Nations/OPS for the biennium 1994-1995 will amount to US$ 88 million. A breakdown of the 1994-1995 estimated expenditures is provided below in table 1.

Table 1. United Nations/OPS biennial budget estimates - 1994-1995

(In thousands of US dollars)

Object of expenditure	UNDP/OPS estimates 1/	Transfer from DDSMS	Total United Nations/OPS
Established posts	26 191.1	5 863.5	32 054.6
Temporary assistance	502.2	139.3	641.5
Consultants	819.6	278.7	1 098.3
Overtime and night differential	606.5	139.6	746.1
Common staff costs	14 117.3	3 190.2	17 307.5
Other staff travel	1 611.8	400.0	2 011.8
Information contracts including printing and binding	245.2	43.3	288.5
Translation	70.5		70.5
Systems Development Contracts	2 000.0		2 000.0
Sub-contracts	1 025.5	310.0	1 335.5
Rental and maintenance of premises	4 811.1	1 254.2	6 065.3
Utilities	277.5	65.2	342.7
Rental and maintenance of furniture, equipment and vehicles, including maintenance supplies	195.7		195.7
Communications	2 268.0	505.5	2 773.5
Hospitality	18.2	5.0	23.2
Miscellaneous services	400.6	114.7	515.3
Stationery and Office Supplies, including internal reproduction supplies	956.5	212.0	1 168.5
Office furniture and equipment	395.9	1 254.7	1 650.6
Microcomputers hardware/software	717.9	160.0	877.9
Vehicles	16.1		16.1
UNDP reimbursement for NYCS/ICC	531.3		531.3
SUBTOTAL	57 778.5	13 935.9	71 714.4
Reimbursement for Central Services 2/	9 822.3	2 369.1	12 191.4
Reimbursement to UNDP field office	4 000.0		4 000.0
TOTAL	71 600.8	16 305.0	87 905.8

(Footnotes on following page)

(Footnotes to table 1)

1/ At its June 1993 session, the Governing Council approved a budget for OPS for the 1994-1995 biennium in the amount of $73,197,000 with staffing resources totalling 247 posts (Governing Council decision 93/35). This revised budget provides for 238 posts, 9 posts having been frozen in view of revised income projections.

2/ For budget purposes, a rate of 17 per cent of the subtotal is used.

Note on income and transfers to field offices:

The estimated income for 1994 and 1995 is $34 million per year, or $68 million for the biennium, and $72 million in gross. The gross amount takes into account the transfer of approximately $2 million per year to the UNDP field offices from income earned on MSAs and cost-sharing projects.

2. Staffing requirements

30. The overall staffing requirements of United Nations/OPS for the biennium 1994-1995 are currently estimated at 296. This includes an estimated 58 posts that could be redeployed from the former staffing table of the Department for Development Support and Management Services. The actual number, functions, levels and contract status of the DDSMS staff to be redeployed will be determined on the basis of a thorough and complete analysis of the combined portfolio and individual staff profiles prior to the transfer. A tentative breakdown of the posts by level is provided below in table 2.

Table 2. United Nations/OPS staffing requirements for the 1994-1995 biennium

Level	UNDP/OPS posts	DDSMS posts	Grand total
Professional category and above:			
Assistant Admin.	1	0	1
D-2	1	0	1
D-1	8	1	9
P-5	29	3	32
P-4	24	8	32
P-3	19	7	26
P-2/1	7	0	7
Total	89	19	108
General Service category:			
Principal levels	50	5	55
Other levels	99	34	133
Total	149	39	188
Grand total	238	58	296

3. Reimbursement for central services

31. The new Office will compensate the United Nations or UNDP for services rendered. To this end, an assessment is being conducted with a view to establishing rates applicable for 1994. For budgetary purposes only, an indicative amount based on past experience is included in table 1.

32. Existing arrangements between UNDP and OPS for reimbursements to field offices in respect of implementation activities related to projects funded under Management Services Agreements and cost-sharing arrangements will continue to apply. However, as reflected in the presentation of the UNDP 1994-1995 biennial budget, these arrangements would need to be expanded to cover all projects (regardless of sources of financing) in which substantial implementation-related tasks are requested from field offices.